

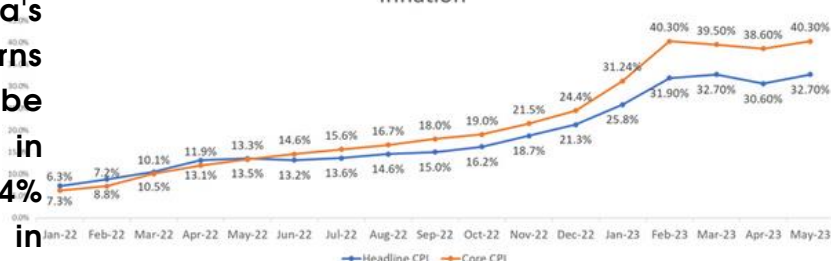
## INFLATION RETURNED BACK TO ITS UPWARD TREND DESPITE THE DECLINE IN THE GLOBAL FOOD PRICES

Despite a recent decline in global food prices following an uptick triggered by Russia's invasion of Ukraine, Inflation in Egypt returns back to its upward trend which can be attributed to the dramatic increase in domestic diesel prices by approximately 14% during the month, along with the increase in the tobacco prices. Additionally, the exchange market remains unstable, and the dollar is not readily available.

The urban headline inflation returns back to its upward trend in May 2023 recording 32.7% up from 30.6% in April 2023. The increase was primarily triggered by rising food prices as well as by ongoing increases in non-food prices. Whereas The annual food inflation increased recording 60% in May 2023 driven by a rise in regulated and core food prices due to the increase in the prices of some subsidized commodities, including sugar, rice and vegetable oil along with rising major core food prices including red meat, seafood. Also annual non-food inflation continued to increase to record 19% in May 2023 supported by the increase in prices of Regulated items including the aforementioned hike in diesel prices. Furthermore, after slightly declining for two consecutive months to 38.6 and 39.5% in April and March 2023, respectively, annual core inflation continued its increasing pattern and hit 40.3% in May 2023.

Nevertheless, the Monetary Policy Committee (MPC) at the Central Bank of Egypt (CBE) has decided during its recent meeting to keep the current interest rates unchanged. Refrain from exacerbating pressure on the investment wheel, raising investment costs, increasing government debt, and budget deficit.

Inflation



EGP Depreciation (in %)

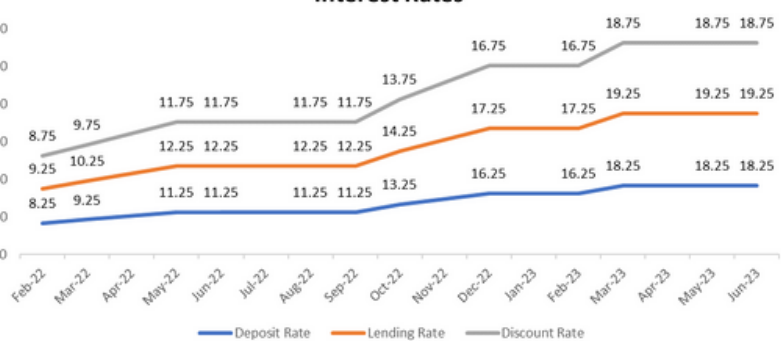


Source: MAP calculations/CBE

Nominal Exchange Rate (EGP/USD)



Interest Rates

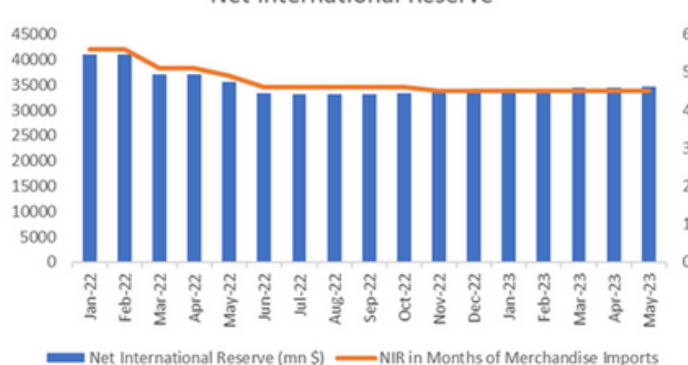


Source: CBE

## External Sector

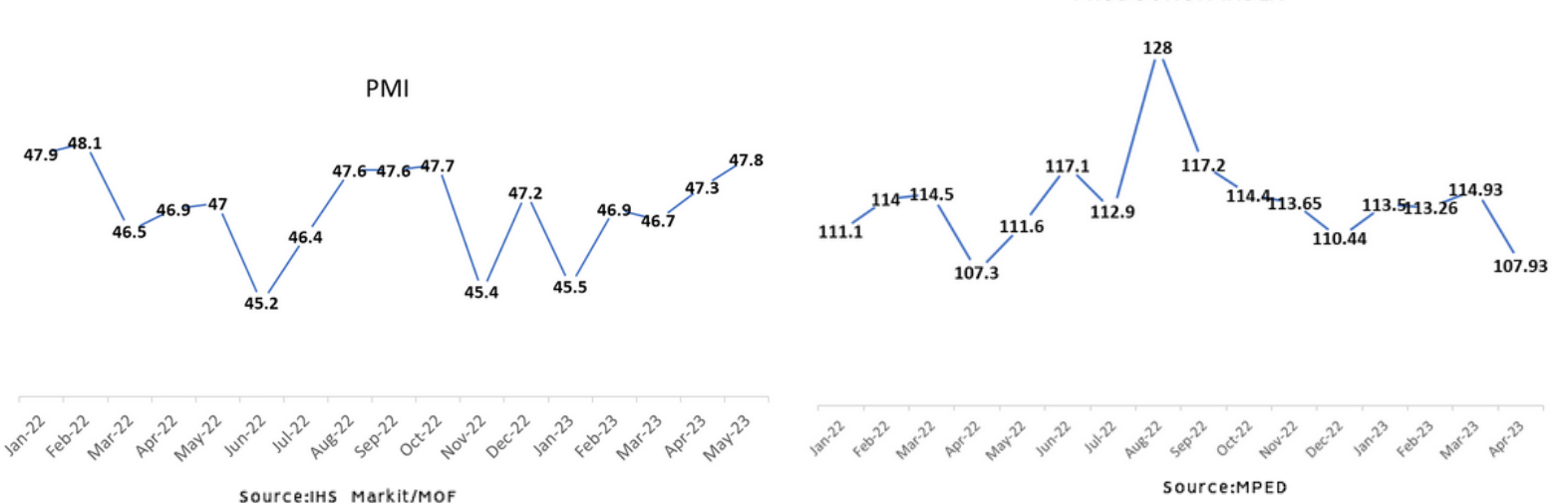
Egypt's net international reserves continued to rise for the tenth consecutive month reaching about 34.66 billion dollars at the end of May 2023, compared to 34.551 billion dollars in April 2023, with an increase of 109 million dollars. Net international reserves cover approximately 4.5 months of imported goods and 3.8 months of imported goods and services.

Net International Reserve



## Real Sector Dynamics

PRODUCTION INDEX



Source: IHS Markit/MOF

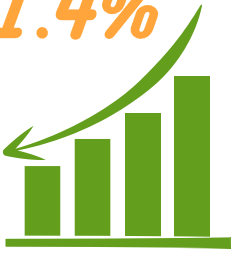
Source: MPED

PMI slightly improved recording 47.8 in May 2023 up from 47.3 in April 2023, marking its highest level since February 2022. This reflected a relative recovery in both new orders and production levels, with their sub-indices rising to their highest levels in 7 and 17 months, respectively, reaching around 46.4 and 46.3 in May compared to 45.2 and 45.4 in April 2023.

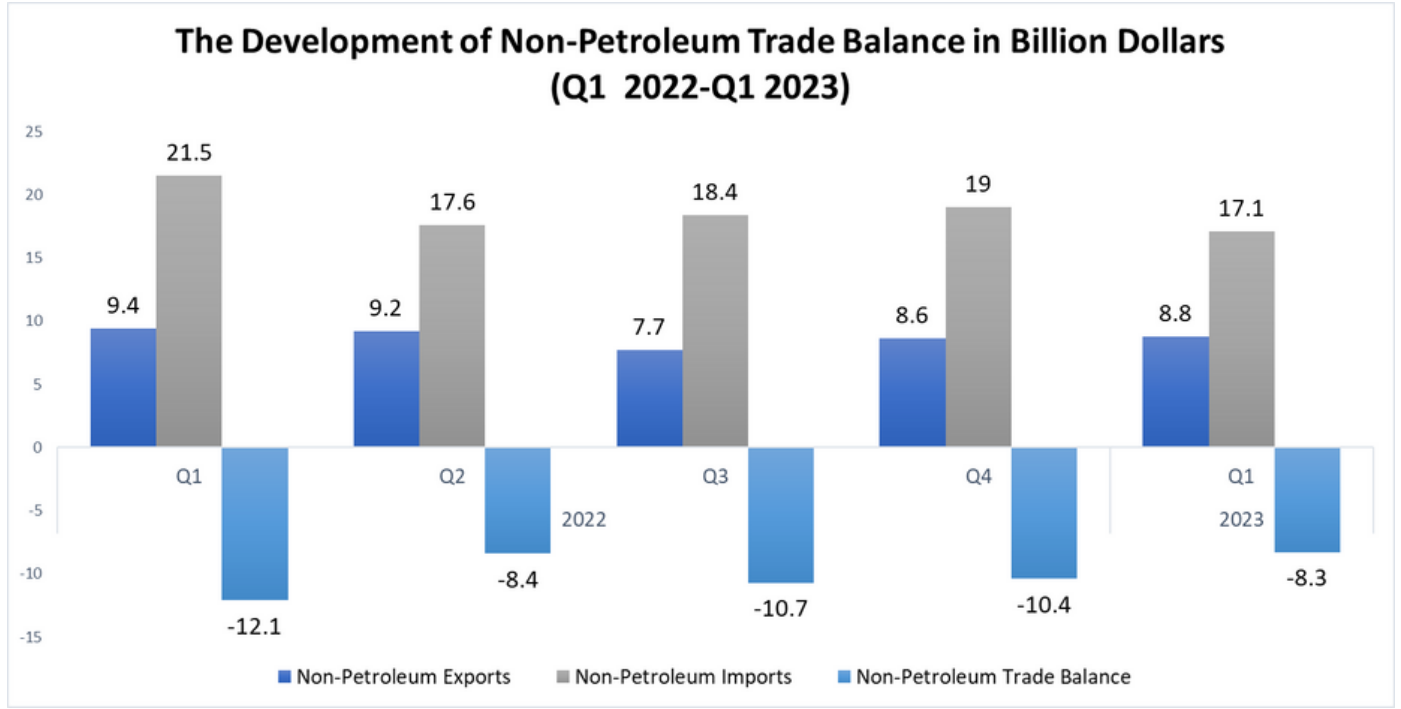
Purchase prices were almost stable as exchange rates steadied, meanwhile selling prices rising at a quicker pace. Additionally, new business intakes in the services economy have grown for the second time in three months. The rate of decline in sales to foreign clients was the slowest since the beginning of 2023, with the export orders sub-index rising by 2% on a monthly basis in May 2023 to reach 47.7. Moreover, Input purchases declined to the slowest pace since last October. Whereas rising input prices and sluggish demand continued to have an impact on overall purchasing activity, which is evident by the sustained decline in companies' input inventories.

After optimism hit the lowest reading ever that was recorded in April 2023, non-oil businesses were relatively more optimistic about the upcoming 12 months in May. However, Companies continued to be worried regarding demand conditions, inflationary pressures, and supply-side challenges.

31.4%



## The Non-Petroleum Trade Balance Deficit Decreased by 31.4%



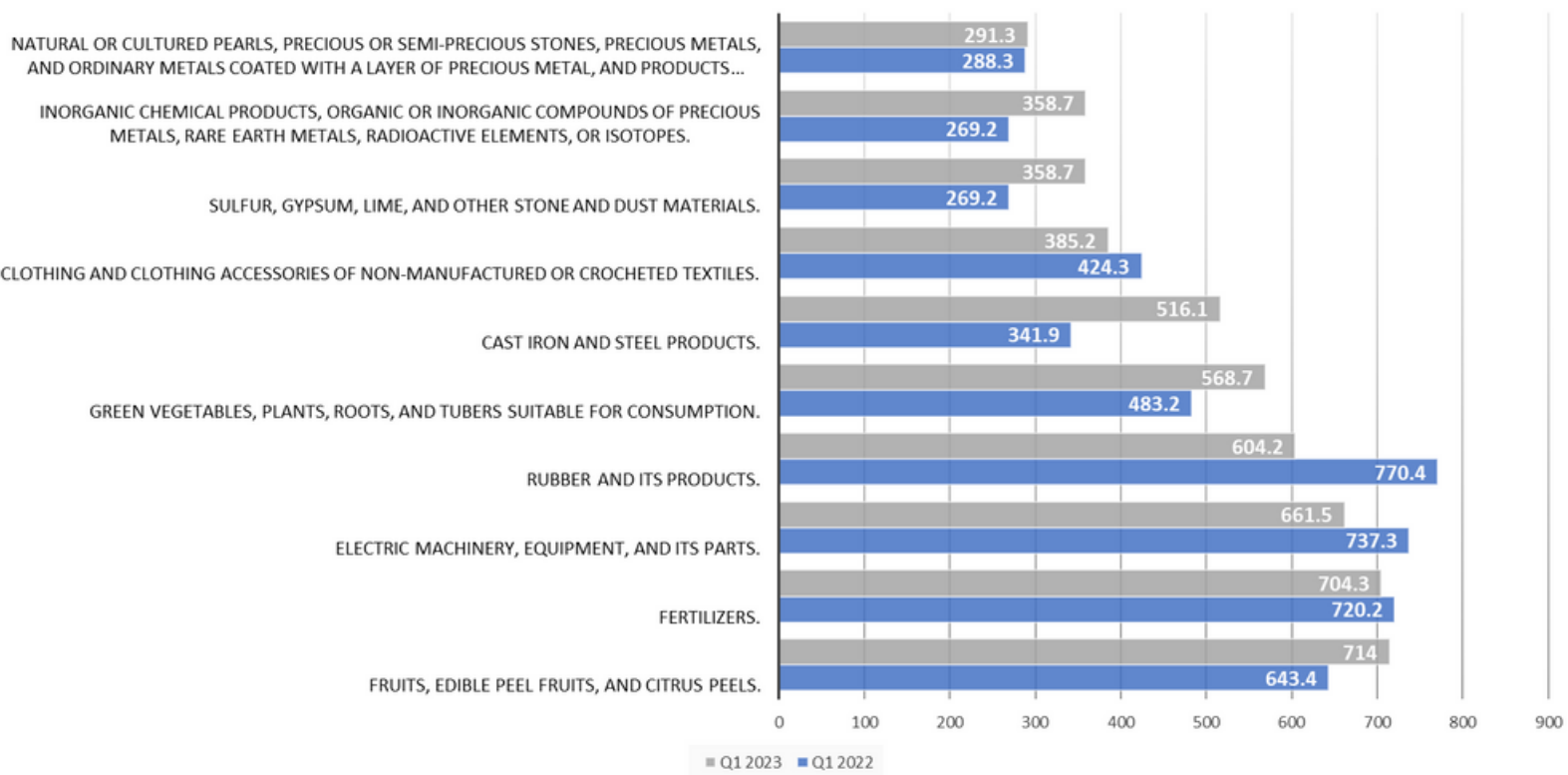
Source: GOEIC/IDSC

The non-petroleum trade deficit dramatically decreased by 31.4% during the first quarter of 2023, recording \$3.8 billion, down from 21.1 billion in the corresponding period of 2022.

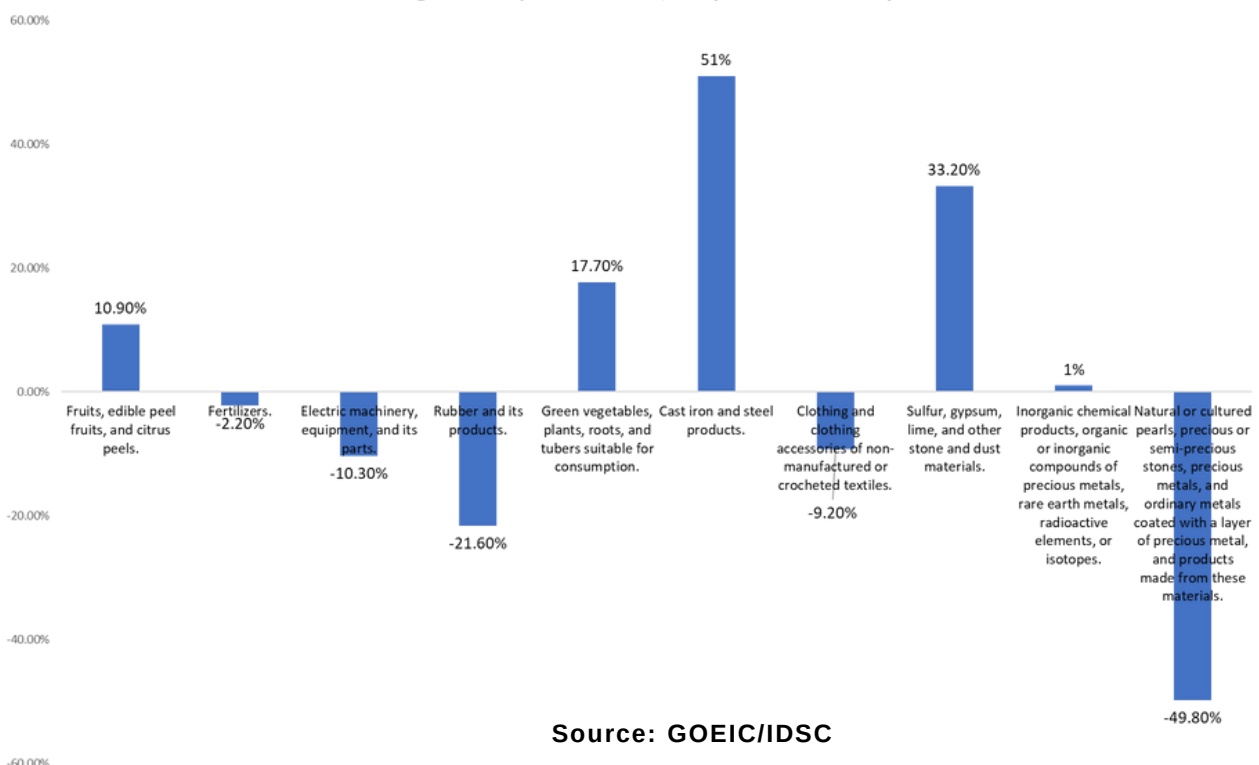
the decline was primarily triggered by the reduction in the value of non-petroleum imports. Whereas the non-petroleum imports recorded \$17.1 billion in the first quarter of 2023, compared to about 21.5 billion in the same quarter in 2022 marking a reduction rate of roughly 20.5%

Furthermore, the value of non-petroleum exports decreased by roughly 6.4% recording \$8.8 billion in Q1 2023 down from nearly \$9.4 billion in the comparison period. However, it's worthy to mention that during the first quarter of 2023, fruits and edible peel fruits emerged as the largest non-petroleum export commodities in terms of value for Egypt, recording approximately 714.0 million dollars compared to about 643.8 million dollars during the same period in 2022. Fertilizers followed in second place, recording around 704.3 million dollars during the first quarter of 2023, compared to about 720.2 million dollars during the same period in 2022.

The value of non-petroleum commodity exports according to the top 10 commodities during the first quarter of 2023, compared to the first quarter of 2022(\$mn)



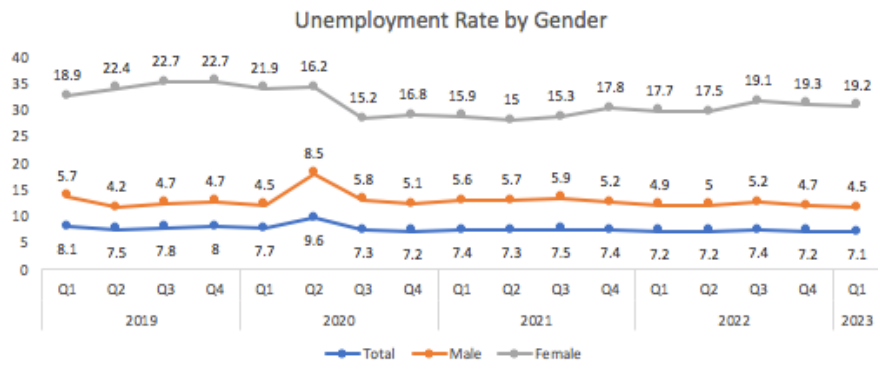
The Percentage of Change in The value of non-petroleum commodity exports according to the top 10 commodities during the first quarter of 2023, compared to the first quarter of 2022



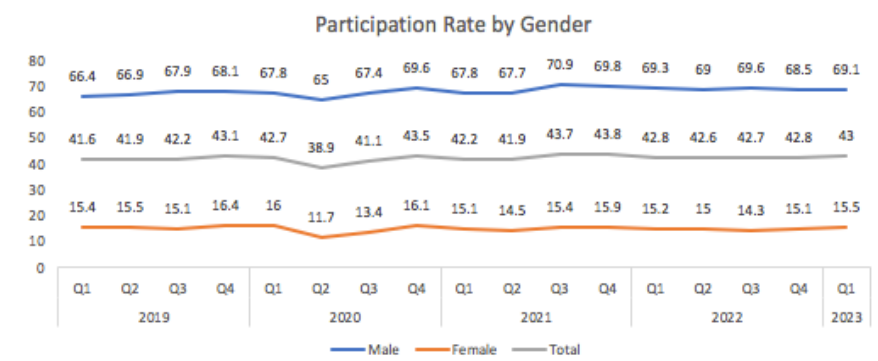
Source: GOEIC/IDSC

## Labor Market

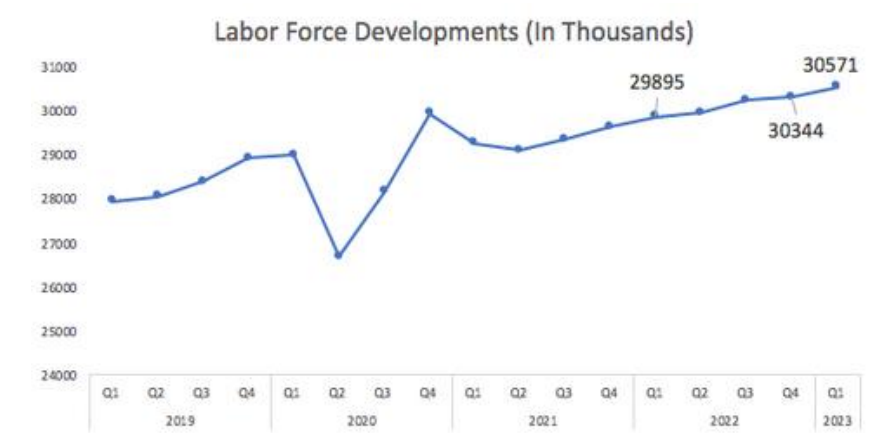
unemployment rate declined slightly throughout the first quarter of 2023, falling by 0.1 registering 7.1% down from 7.2% in the same quarter in the previous year. This was induced by the decline in the numbers of unemployed by 26,000 compared to the same quarter in the previous year and with 14,000 compared to the previous quarter (Q4).



Furthermore, the labor force continues its upward trend registering 30,571 thousand up from 29,895 in the same quarter in the previous year and up from 30,344 in the previous quarter (Q4), which can be attributed to the rise in the number of employed by 241,000 along with the aforementioned decline in the numbers of unemployed by 14,000 compared to Q4 2022.

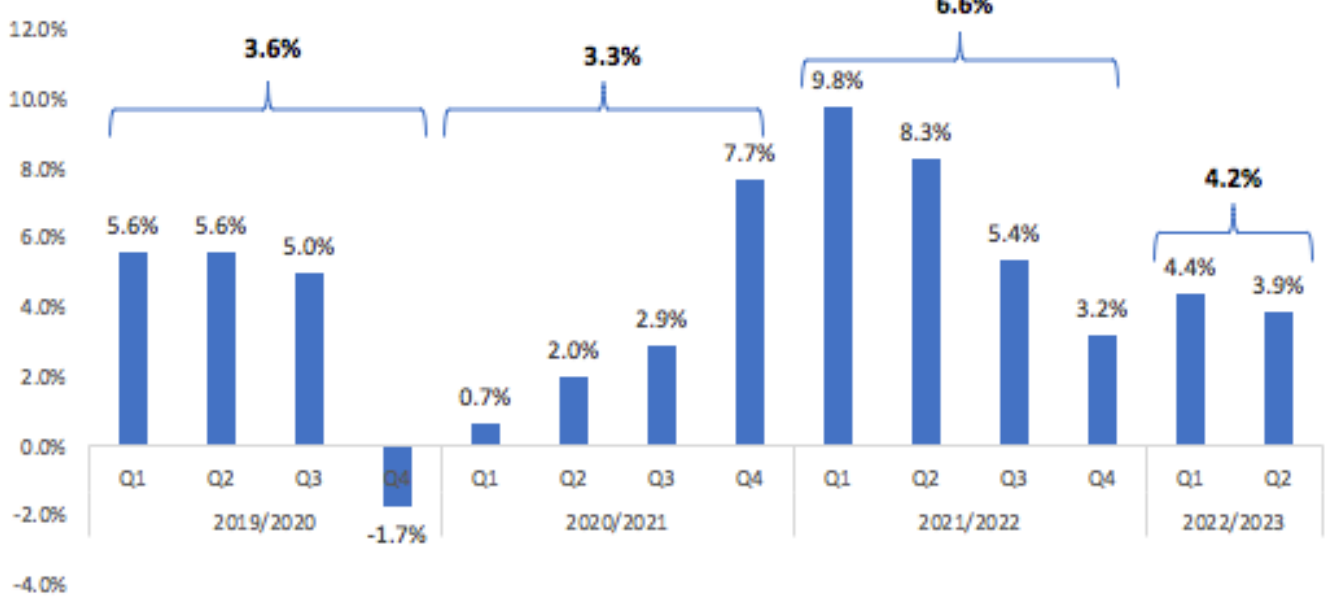


The labor force participation rate slightly improved where it reached 43% up from 42.8% in the same the quarter of the previous year, whereas female participation rate slightly increased recording 15.5% up from 15.2% in Q1 and Q4 in 2022 respectively. However Male Participation Rate decreased slightly compared with Q1 in 2022 from 69.3% to 69%, while compared to the previous quarter (Q4) it increased from 68.5%.

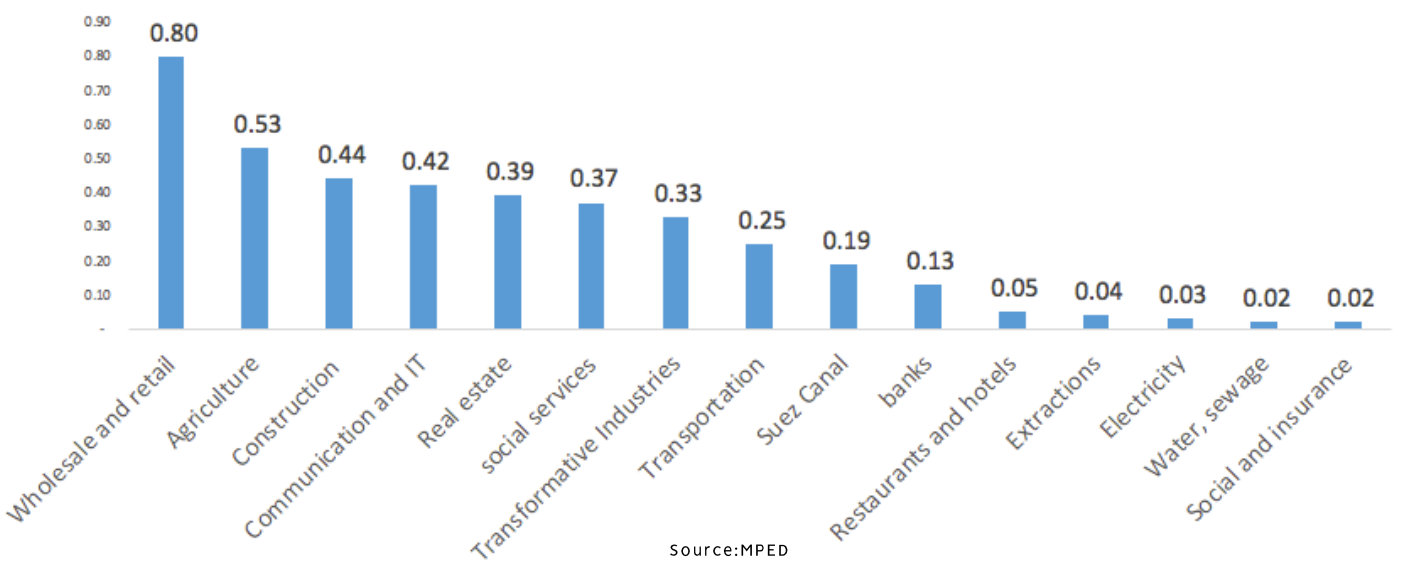


Source: CAPMAS / Press release / Q1 2023

### Real GDP Growth Rate (YOY%)



### Sectoral Contribution to GDP



Source: MPED

Real GDP at market price declined to 3.9% in the second quarter of FY2022/23 down from 8.3% during the same quarter in the previous year which reflect a sharp decline of 53% from the corresponding quarter in the previous year and by about 11% from the previous quarter.

Its worth noting that the main contributors to Real GDP growth throughout this quarter are wholesale and retail at the first place with around 0.80 percentage points, followed by Agriculture, Construction and Communication and IT sectors recording 0.53, 0.44 and 0.42 points respectively.

Furthermore, the Hotels and Restaurants sector contributed by 0.05 percentage points only which is relatively very low contribution compared to its contribution in the previous quarter (0.52 percentage points).